

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency

P.O. Box 2415

Washington, DC 20013-2415

Notice FC-90

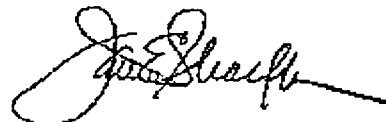
1965-A, 1965-B, 1965-C

For: FSA State and County Offices, Including Ag Credit Teams

RHS State, District, and County Offices

Servicing Borrowers With Both RHS and FSA Farm Credit Program (FCP) Loans

Approved by: Administrator, Farm Service Agency Acting Administrator, Rural Housing Service



1 Overview

A

Background

Before reorganization, borrowers who had both RHS and FSA FCP loans, were handled according to FmHA Instruction 1965-A. The majority of these loans are cross-collateralized and described on the same mortgage or deed of trust. Since reorganization split the ownership of these loans into 2 separate Agencies, the case files and servicing procedures must also be split. FSA will now service all FCP loans and RHS will service all Rural Housing (RH) (Section 502 loans and 504 loans and grants) and Labor Housing (LH) loans.

B

Purpose

This notice provides guidance to Field Offices on how to handle the following servicing actions for borrowers with both RHS and FSA FCP loans.

- Separating borrower case files and flagging the account. See paragraph 2.
- Identifying and servicing RH loans for FSA buildings (RHF). See paragraph 3.
- General servicing procedures, such as graduation, partial releases, releases, and determining lien position. See paragraph 4.

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Disposal Date

October 1, 1997

Distribution

State Offices; State Offices relay to County Offices and Ag Credit Teams; RHS Offices through Rural Development

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1 Overview (Continued)

B

Purpose (Continued)

- Servicing delinquent and financially distressed accounts. See paragraph 5.
- Handling foreclosures and voluntary conveyances. See paragraph 6.

A Memorandum of Understanding (MOU) is being developed that will outline how accounts will be handled in the future. Until this MOU is issued, servicing will be handled according to this notice.

C

Contact

If there are questions regarding this notice:

- County Offices shall contact their State Office
 - FSA State Offices shall contact Kim Laris, LSPMD, through the Area Office
 - RHS State Offices shall contact the Single Family Housing Servicing and Property Management Division.
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2 Initial Action

A

Separating Borrower Case Files

Borrower case files must be split into 2 separate case files, if not already split. One file will be for the RHS loan and 1 file for the FSA FCP loan.

Note: RHF loans, identified with a fund code 41 and a kind code 10, are FCP loans and will be part of the FSA case file.

FSA shall retain the original case file, but move the following documents to the RHS file:

- all original documents pertinent to the RH or LH loan only

Examples: Promissory note, mortgage or deed of trust that describes only the RH or LH note, Payment Assistance Agreement

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2 Initial Action (Continued)

A Separating Borrower Case Files (Continued)

- copies of all joint documents and running records that pertain to both the RHS and FSA FCP loans.

Example: Applications, farm and home plans, mortgages or deeds of trust, appraisals.

- copy of any Equity Recapture Agreement, FmHA Instruction 1965-A, Exhibit D.

FSA will provide RHS with access to original documents from the borrower's case file upon request.

B How Accounts Will Be Flagged

To help identify borrowers who have both RHS and FCP loans described on the same security instruments:

- both Agencies must mark the front of their case files in red with, "RHS/FSA Joint Security Instruments"
- the Management Record System shall be flagged.

The following Finance Office status reports and Automated Discrepancy Processing System (ADPS) inquiry screens reflect that the borrower has an RHS and FSA FCP loan:

- for FSA, the 540 Status Report will continue to show "RH" at the right of the report under the "Scheduled Annual Installments" column
- for RHS, Dedicated Loan Origination and Servicing (DLOS) will be flagged to show that the borrower has FCP loans

Note: There is no identifier on the RC 580 and 582 reports.

- for FSA and RHS, the Current/Past Debts Inquiry Screen will continue to show both the RHS and FSA FCP loans.

These reports and screens do not reflect that the security is cross-collateralized or that the loans are described on the same mortgage or deed of trust. Therefore, anytime the security will be subordinated, released, liquidated, etc., the security instruments will have to be carefully reviewed to determine whether both agencies must be involved.

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2 Initial Action (Continued)

C

Release of Additional Security

To simplify servicing in the future, FSA may consider releasing nonfarm dwellings that were financed with RH or LH funds and taken as additional security for the FCP loan. FSA shall refer to FmHA Instruction 1965-A, section 1965.25(d) for guidance.

RHS may also consider releasing any farm property that was taken as additional security for the RH or LH loan or that was cross-collateralized because of the FCP loans. RHS shall refer to FmHA Instruction 1965-C, section 1965.118(a) or (c) for RH loans. For LH loans, an exception to the requirements of FmHA Instruction 1965-B, section 1965.77, must be requested from the RHS Administrator.

Note: The mortgage or deed of trust cannot be released of record if it describes both the RHS and FSA FCP loan. Refer to paragraph 4 D for issuing a letter of release to the non-releasing agency for joint mortgages or deeds of trust.

D

Insurance Policies

Each agency shall notify their borrowers to contact their insurance company and have the lienholder or mortgagee name changed in the mortgagee clause or declaration page to read:

UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED
STATES DEPARTMENT OF AGRICULTURE
ATTN: [AGENCY NAME]
[ADDRESS]

Both RHS and FSA should be named as mortgagee and the addresses for both should be given so that each agency will receive notices from the insurance company of cancellation, loss claims, etc. County Offices may want to contact the insurance company directly if the company name is available. A copy of the change must be filed in the borrower's case file. Follow-up action is necessary to assure the change was made.

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3 RHF Loans

A

Identifying RHF Loans

RHF loans shall be serviced by FSA as an FCP loan. These type loans were made with RH funds before 1974 to construct farm buildings, such as chicken houses, silos, barns, etc. These loans were officially transferred to FSA on October 2, 1995 and should no longer show on the RC 580 and 582 reports. During the transfer, the fund code was changed from a 36 or 46, kind code 10, to a fund code 41, kind code 10. These loans are now shown on the 540 Status Report.

Note: If any of these loans have not been transferred, FSA State Offices should prepare a memorandum:

- to KCMO St. Louis, attention Janet Marxkors, FAX 314-539-6447
 - including the borrower's name, case number, fund code, loan number, existing kind code, date of original loan, and purpose of loan
 - requesting that the:
 - loan be transferred to FSA
 - fund code be changed to a 41
 - kind code be changed to a 10.
-

B

Servicing RHF Loan

When making future Farm Ownership (FO) loans and providing loan servicing, RHF loans will:

- not be counted as an FO loan for determining FO loan limitations
 - be included in DALR\$ as a fund code 46 if being considered for restructuring and:
 - be charged the lower of the original note rate or the current RH loan rate
 - be amortized up to 33 years from the date of the original note
 - require the borrower to sign Form FmHA 1940-17
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4 General Servicing Procedures

A

Payoff Requests

When FSA and RHS are joint creditors and a request for payoff information is received, in addition to giving the payoff information, the contacted Agency should also alert the requestor that the other agency also has a loan and how to secure the payoff information for that loan.

B

Graduation and Classification

Graduation and classification of accounts will be handled separately by each Agency based solely on the loans of each Agency. Copies of financial statements, cash flows, and other related documents may be shared with each Agency upon request.

Note: For RHS, until RHS loans are transferred to DLOS, RHS cannot process 8N transactions, "Loan Classification", for borrowers who have both RHS and FCP loans. Instead, RHS must send these classifications to their St. Louis Finance Office, Team Leader, through a problem case report.

C

Partial Releases, Subordinations, and Consents for Joint Security Instruments

Approval from both Agencies is required when issuing partial releases, subordinations, and consents against security instruments that describe both the RHS and FSA loan. Only 1 Form FmHA 465-1 is needed. The Agency receiving Form FmHA 465-1 shall take the lead in processing the request and obtaining the required approvals from the other Agency. The lead Agency will obtain any appraisals needed. Appraisals for farm tracts must meet the requirements of FmHA Instruction 1922-E, and appraisals for nonfarm tracts must meet the requirements of FmHA Instruction 1922-C. Authority to execute these actions will be based on the established policies and procedures of each Agency.

If both Agencies cannot approve the request, it will be denied. Responses to the borrower's request may be issued in 1 letter by the lead Agency or separated in 2 letters, 1 from FSA and the other from RHS.

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4 General Servicing Procedures (Continued)

D

Release of Joint Security Instruments

FSA and RHS State Office approval is required to release security instruments that describe both an RHS and FSA loan. If all the security cannot be released because of outstanding obligations by the other Agency, then the following steps must be taken:

- if FSA's debt is paid in full or satisfied first, then FSA will forward the original joint security instruments to the RHS State Office with a letter indicating satisfaction of the debt
 - if RHS's debt is paid in full or satisfied first, then RHS will send the FSA State Office a letter indicating satisfaction of the debt
 - return of promissory notes will be handled according to FmHA Instruction 1951-D and applicable State instructions.
 - a copy of the releasing Agency letter, if applicable, will be attached to the security instruments in the borrower's case file.
 - the security instruments will be released by the remaining Agency when appropriate.
-

E

Determining Lien Position When Both RHS and FSA Loan Were Made at the Same Time

The lien position shall be shared by both RHS and FSA when the RHS and FSA FCP loans were made at the same time, or the security was taken at the same time, and included on the same mortgage or deed of trust. The amount shared will be proportionate to the total amount of debt owed on these loans.

- See Exhibit 1 for determining the amount to enter in DALR\$ if the borrower is being serviced under FmHA Instruction 1951-S.
 - See Exhibit 2 for sales by borrower, foreclosures, deeds in lieu of foreclosure (voluntary conveyances), or losses covered by insurance.
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4 General Servicing Procedures (Continued)

F

Offsets

Offsets for both Agencies will continue to be handled according to FmHA Instruction 1951-C. Payments received from administrative offsets that were established before reorganization will be paid to each Agency in order of lien priority. If both Agencies have the same lien priority, offset payments will be distributed on a prorata basis according to Exhibit 2.

IRS offsets established before reorganization and for tax year 1996 will be paid to each Agency based on oldest delinquency date. If both Agencies have the same delinquency date, offset payments will be distributed on a prorata basis based on percentage of borrower debt. These payments will be processed to the appropriate Agency by the St. Louis Finance Office following review of the borrower's account by Program Reporting Branch representatives from both Agencies.

G

Losses Covered by Insurance

Both Agencies will handle losses according to FmHA Instruction 426.1. If insurance proceeds will be used to repair or replace joint security property, then both Agencies must decide who will oversee and approve the repairs and replacements and make all required inspections. Normally, the Agency who holds a prior lien will be responsible for seeing that any repairs or replacements are completed. However, these duties may be shared by both Agencies to the extent that FSA may handle all farm property and RHS may handle Single Family Housing (SFH) property.

Copies of development plans, inspections, etc. shall be shared with the other Agency. Proceeds to be applied against the debt will be applied based on lien priority. Both Agencies must approve any release of insurance proceeds of joint secured property.

H

ADPS Inquiry Screens and Processing of Transactions

Both Agencies still have access to all inquiry screens for both RHS and FCP loans. This capability will not be available when RHS loans are transferred to DLOS.

Generally, ADPS transactions will be processed separately by each Agency. However, there are transactions, for example, the 5G, 5H, 3E, and 4D (flags, acquisitions, and name and address changes), that when processed, affect both the FSA and RHS accounts. For this reason, both Agencies will have to coordinate the processing of such transactions with each other to avoid duplication and problems in the future.

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4 General Servicing Procedures (Continued)

I
Labor Housing Loans Generally, LH loans will be serviced by the RHS official responsible for managing the Multi-Family Housing program. However, if the security is the same for both the FCP and LH loan, releases and liquidations will be handled according to this notice.

5 Servicing Delinquent and Financially Distressed Accounts

A
Debt Servicing Responsibilities Each Agency shall be responsible for servicing its own loans. However, in cases where the loans are cross-collateralized, it will be necessary for both Agencies to work together to protect the Government's security interest.

Note: Loans are cross-collateralized when property is used to secure both the RHS and FSA loans. The extent of cooperation needed between the 2 Agencies will depend on whether both loans are described on the same security instruments.

B
Security Is Not Cross-Collateralized When the security is not cross-collateralized, the following procedures shall be followed:

- RHS will service RH and LH loans according to FmHA Instructions 1951-G, 1965-B, and C, as applicable, and other RH and LH procedures
- FSA will service FCP loans according to FmHA Instructions 1951-S and 1965-A, and other FCP procedures.

C
Security Is Cross-Collateralized and Loans Are Described on Separate Security Instruments When the security is cross-collateralized, and the RHS and FSA loans are described on **separate** security instruments:

- normal debt servicing will be handled as described in subparagraph B
- foreclosures and conveyances will be handled according to paragraph 6.

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5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**D
Security Is
Cross-
Collateralized
and RH and
FCP Loans Are
Described on
Same Security
Instruments**

FmHA Instruction 1965-A, section 1965.26(c)(2) or (3) and the instructions in this paragraph must be followed by both Agencies when the security is cross-collateralized **and** RHS and FSA loans are described on the same security instrument.

Default on any 1 loan, whether RHS or FSA loan, constitutes default against the security instrument. Therefore, even if only 1 Agency's loan is in default, the borrower is in nonmonetary default with the other Agency.

The following describes each Agency's responsibility for notifying the other when their loan is in default.

- If the FSA loan is in default for reasons other than the RHS loan is in default:
 - FSA shall notify the RHS County Office when the borrower is sent the 1951-S servicing notices
 - RHS will consider the borrower for moratorium and payment assistance.
 - If RHS loan is delinquent or otherwise in default for reasons other than the FSA loan is in default:
 - RHS will service the RHS loan according to FmHA Instruction 1951-G up through acceleration
 - once the account is accelerated, RHS will notify FSA and send FSA a copy of the acceleration notice
- Note:** RHS **will not** proceed with foreclosure action until after FSA has completed its servicing process.
- after FSA is notified of the RHS acceleration, FSA will send the borrower FmHA Instruction 1951-S, Exhibit A, Attachments 1, 3, and 4 for reason of nonmonetary default and service accordingly.

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5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**D
Security Is
Cross-
Collateralized
and RH and
FCP Loans Are
Described on
Same Security
Instruments
(Continued)**

- The following are general rules that apply in all instances.
- Each Agency will keep the other up to date on the status of the default and the servicing progress.
- If it is determined necessary to bring the RHS account current or find a feasible farm plan, the RHS loan may be reamortized by RHS when the FSA loans are restructured. Reamortization of the RHS loan must be closed before or simultaneously with the FCP loans. Any new security instruments taken will be separate for each Agency's loans.
- RHS will accelerate the account when notified by FSA that the borrower was notified of FSA's intent to accelerate (FmHA Instruction 1951-S, Exhibit A, Attachments 1, 3 and 4, 5 and 6, 5-A and 6-A, 9 and 10, or 9-A and 10-A).
- Acceleration notices must describe the reasons for acceleration, such as monetary or nonmonetary default, or both. Caution should be given to accepting an offer by the borrower that would deaccelerate the account as this could affect liquidation by the other Agency.
- Each Agency shall send the other a copy of the acceleration notice. Appeals will be held separately since they are 2 separate adverse actions.
- RHS will continue to flag the account "FAP", foreclosure action pending, when the RHS account is accelerated so that payments will not be credited to the RHS account.
- If payments are received on the FCP account before FCP loans are accelerated, County Offices should indicate on Form FmHA 451-2 that the payment should be applied since only the RHS account is accelerated.
- FSA will flag the account "ACL", accelerated, at the time the FCP account is accelerated.
- FSA will flag the account "FAP" in judicial foreclosures when the account is referred to OGC for foreclosure. In nonjudicial foreclosures, the account will be flagged "FAP" when the foreclosure sale is scheduled.

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5 Servicing Delinquent and Financially Distressed Accounts (Continued)

D Security Is Cross- Collateralized and RH and FCP Loans Are Described on Same Security Instruments (Continued)

- If the FCP borrower is offered a buyout, and the RHS loan is delinquent, the RHS loan must be paid off at the same time the buyout is completed. RHS will be contacted for payoff information. FSA will handle collection of the RHS loan and distribute proceeds according to Notice FI-2139. The DALR\$ report must be modified to identify the RHS debt to be paid. If the RHS loan is not paid in full, the security instrument cannot be released. See subparagraph 4 D on how to handle releases of joint security instruments.
-

E Special Instructions for DALRS

Follow these special instructions when primary loan servicing will be considered for a borrower with an RH loan.

- RHS loans will not be entered in the DALR\$ loan input screen. Instead, they will be entered as another lender's debt.
- If the RHS loan will be reamortized, enter the reamortized RHS payment on Form FmHA 431-2, Table K.
- If RHS holds a prior lien to the FSA debt, then the amount of the RHS debt will be entered in the net recovery value screen.
 - See subparagraph 4 D and Exhibit 1 to determine the proportionate share of each Agency when RHS and FSA loans were made at the same time, or the security was taken at the same time, and described on the same mortgage or deed of trust
 - If RHS loan is junior to 1 loan and before other FSA loans, then enter only the amount of RHS debt less the prior lien debt of the FSA loan, if any.
- If the RHS loan is to be paid in full at the time of buyout according to subparagraph D, add the following statement to the DALR\$ report at the bottom of the summary page:

"If you choose to buyout your FCP loans, you must also pay off your RHS loan(s). The unpaid balance on this loan(s) as of _____ is \$_____."

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5 Servicing Delinquent and Financially Distressed Accounts (Continued)

F Bankruptcy Filings With Joint Security Instruments

Each Agency will handle bankruptcies separately according to their Agency regulations. Proof of Claim forms will be completed by each Agency. Any necessary legal coordination will be handled by OGC.

6 Handling Foreclosures and Voluntary Conveyances Against Joint Security

A Loans Described on Separate Security Instruments

The following procedures will be followed for voluntary conveyance, foreclosures by RHS and FSA, and third party foreclosures of cross-collateralized property when RHS and FSA loans are described on separate security instruments.

Voluntary Conveyance

If 1 Agency is proposing to accept a voluntary conveyance, (deed in lieu of foreclosure), the initiating Agency will obtain a current appraisal and a title opinion indicating lien position and send copies of both to the responding Agency with a request for release.

- If the lien is valueless, the responding Agency will prepare and send the initiating Agency a release.
- If the responding Agency holds a prior lien, the initiating Agency will voucher a check to pay off the responding Agency's lien before accepting the conveyance according to FmHA Instruction 1955-A, section 1955.10.
- If the responding Agency holds a junior lien, the initiating Agency will voucher a check to pay the responding Agency's lien up to the current market value of the security property, minus prior liens.

Foreclosure

If 1 Agency is initiating foreclosure, a determination must be made to do 1 of the following:

- pay off the other Agency's prior lien up to the current market value, minus other prior liens

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6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

A

Loans Described on Separate Security Instruments (Continued)

- obtain a release from the responding Agency, if their lien is valueless
- obtain an agreement to be named in the foreclosure suit, or given notice of the foreclosure.

Note: All efforts should be made to eliminate having to get the other Agency involved in the foreclosure.

Third Party Foreclosures

Third party foreclosures initiated by other than RHS and FSA will be handled separately by each Agency based on their regulations for handling third party actions.

- FSA will use FmHA Instruction 1965-A, section 1965.11(c).
 - RHS will use FmHA Instruction 1965-B or C, as applicable.
 - Both Agencies may bid, if applicable, according to FmHA Instruction 1955-A, section 1955.15(f).
-

B

Loans Described on the Same Security Instruments

The following procedures will be followed for voluntary conveyances, (deeds in lieu of foreclosure) foreclosures by RHS or FSA, and third party foreclosures of cross-collateralized property when both the RHS and FSA loans are described on the same security instruments or a combination of separate and same security instruments.

Voluntary Conveyance

If 1 Agency is proposing to accept a voluntary conveyance (deed in lieu of foreclosure), the initiating Agency will obtain a current appraisal and a title opinion indicating lien position and send copies of both to the responding Agency with a request for release.

- if the lien is valueless, the responding Agency will prepare and send the initiating Agency a letter of release as described in subparagraph 4 D and the original note (if required by State law to issue releases) and mortgage or deed of trust, if in that Agency's possession
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6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

B

Loans Described on the Same Security Instruments (Continued)

- if the responding Agency holds a prior lien, the initiating Agency will voucher a check to pay off the responding Agency's lien before accepting the conveyance according to FmHA Instruction 1955-A, section 1955.10
- if the responding Agency holds a junior lien, the initiating Agency will voucher a check to pay the responding Agency's lien up to the current market value of the security property, minus prior liens, including the initiating Agency's prior lien
- if the releasing Agency is partially secured with the acquiring Agency, the acquiring Agency will voucher a check to pay the releasing Agency its share of the amount of their debt up to the current market value, minus prior liens. See Exhibit 2 for determining the amount of credit to each loan when the RHS and FCP loan were made or secured with the same property at the same time and described on the same mortgage or deed of trust.

Foreclosure

When foreclosure action is initiated by FSA, RHS, or a third party, the following procedures will be followed.

- If 1 Agency holds a separate security instrument filed before any joint security instruments, a decision must be made between the 2 Agencies about which 1 will bid to protect their security interest or foreclose.
- If a separate security instrument was not filed before the joint security instruments and both agencies share in lien priority, FSA will bid or initiate the foreclosure.
- The Agency that determined not to bid or foreclose will assign its note or assumption agreement and security interest to the foreclosing or bidding Agency. The foreclosure complaint will identify all FSA and RHS loans.
- States shall request advice from their Regional OGC on preparing an assignment. The assignment shall contain language pertaining to the application of sale proceeds and cancellation of the assignment in the event foreclosure is canceled or the accounts decelerated or reinstated for any reason including bankruptcy. The assignment shall be recorded in the County records.

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6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

B

Loans Described on the Same Security Instruments (Continued)

- The accounting system **will not** be revised to account for the assignment. The Agency that assigned its note and security interest will wait to debt settle the account after the foreclosure is completed and all proceeds or credits are applied.
- Proceeds from the sale of property or credit for acquisitions will be applied to the loans in the order of lien priority. See Exhibit 2 for determining the amount to be applied or credited to each loan when the RHS and FSA loan were made or secured with the same property at the same time and described on the same mortgage or deed of trust.
- If the foreclosure is canceled and the accounts decelerated or reinstated, each Agency will resume servicing of their note.

Each Agency will handle debt settlements of their own loans according to FmHA Instruction 1956-B and 1951-J.

C

Assigning Property ID Numbers

Since the inventory property ID's cannot be duplicated, it will be necessary for each Agency within each State to use the following property ID numbers, along with their State and county code. The last 5 digits must be consecutively numbered within the following range:

- FSA - 00001-00499
- RHS - 00500-00599.

Note: The State and county codes are the same as those used for all St. Louis Finance Office purposes, **not** the former ASCS State and county codes.

Since the property ID numbers include the State and county code, the same numbers within the State can be used by all counties. Designating these ID numbers by Agency will eliminate discrepancies from occurring when counties attempt to assign a number that has already been used by the other Agency in the same county.

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6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

D

**Processing
ADPS 3E
Transaction for
Acquisitions**

The ADPS 3E transaction for acquiring property is a combined transaction that affects both a borrower's FCP and RHS account. Therefore, anytime property is acquired by FSA or RHS from a borrower that has both an RHS and FCP loan, the St. Louis Finance Office must process the 3E transaction. This is the case even if the property is not cross-collateralized. Under no circumstances can a property be acquired jointly.

When property is acquired by FSA or RHS, according to this subparagraph, the acquiring Agency shall:

- complete Exhibit 3
- FAX a copy of Exhibit 2, if applicable, and Exhibit 3 to the St. Louis Finance Office, attention Janet Marxkors, at 314-539-6447.

Note: If the security is cross-collateralized, a copy of Exhibits 2 and 3 shall also be sent to the nonacquiring Agency.

Guide for Calculating Proportionate Share of Joint Security Interest for DALR\$

The proportionate share will be based on the market value less authorized selling expenses.

$$\text{Step 1. } \frac{\text{RHS Debt}}{1/} \text{ divided by } \frac{\text{Total RHS and FCP Debt}}{2/} = \frac{\text{RHS Percent of Debt}}{\text{RHS Percent of Debt}} \times \frac{\text{Market Value}}{\text{Market Value}} = \frac{\text{RHS Share of Market Value}}{\text{RHS Share of Market Value}}$$

$$\text{Step 2. } \frac{\text{RHS Percent of Debt (from Step 1)}}{\text{RHS Percent of Debt (from Step 1)}} \times \frac{\text{Liquidation Expenses}}{\text{Liquidation Expenses}} = \frac{\text{RHS Share of Expenses}}{\text{RHS Share of Expenses}}$$

$$\text{Step 3. } \frac{\text{RHS Share of Market Value (from Step 1)}}{\text{RHS Share of Market Value (from Step 1)}} - \frac{\text{RHS Share of Expenses (from Step 2)}}{\text{RHS Share of Expenses (from Step 2)}} = \frac{\text{Amount of Debt to enter in DALR$ as RHS Prior Lien}}{\text{Amount of Debt to enter in DALR$ as RHS Prior Lien}}$$

1/ This is the unpaid debt that holds an equal priority in the security property. These loans were made at the same time or the security was taken at the same time to secure both type loans and described on the same mortgage or deed of trust.

2/ This is the total unpaid balance of the RHS and FCP loans that are equally secured. All other loans made before and after will not be counted in this calculation.

Note: Debt includes unpaid principal and interest. Recapture will not be included.

Guide for Calculating the Proportionate Share of Security Value/Proceeds From Joint Mortgages

The proportionate share is based on the market value less prior liens and selling costs.

Calculation of FSA Share:

$$\begin{array}{lclclcl}
 \text{Step 1.} & \frac{\text{FSA Debt}}{1/} & \text{divided by} & \frac{\text{Total RHS and FCP Debt}}{2/} & = & \frac{\text{FSA Percent of Debt}}{\text{Market Value/Sales Proceeds less prior liens}} \times \frac{\text{Market Value/Sales Proceeds}}{\text{FSA Share of Market Value/Sale Proceeds}} \\
 \\
 \text{Step 2.} & \frac{\text{FSA Percent of Debt (from Step 1)}}{\text{FSA Percent of Debt (from Step 1)}} & \times & \frac{\text{Liquidation/Selling Expenses}}{\text{Liquidation/Selling Expenses}} & = & \frac{\text{FSA Share of Expenses}}{\text{FSA Share of Expenses}} \\
 \\
 \text{Step 3.} & \frac{\text{FSA Share of Market Value/Sale Proceeds (from Step 1)}}{\text{FSA Share of Market Value/Sale Proceeds (from Step 1)}} & - & \frac{\text{FSA Share of Expenses (from Step 2)}}{\text{FSA Share of Expenses (from Step 2)}} & = & \frac{\text{Net FSA Share of Market Value/Sale Proceeds}}{\text{Net FSA Share of Market Value/Sale Proceeds}}
 \end{array}$$

- 1/ This is the unpaid debt that is equally secured with the other Agency's loan that were made at the same time or the security was taken at the same time to secure both type loans and described on the same mortgage or deed of trust.
- 2/ This is the total unpaid balance of the RHS and FCP loans that are equally secured. All other loans made before and after will not be counted in this calculation.

Note: Debt includes unpaid principal and interest and any recapture due, except RH recapture will not be included if acquired by RHS or FSA.

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Guide for Calculating the Proportionate Share of Security Value/Proceeds From Joint Mortgages (Continued)

Calculation of RHS Share:

$$\text{Step 4. } \frac{\text{RHS Debt}}{1/} \text{ divided by } \frac{\text{Total RHS and FCP Debt}}{2/} = \frac{\text{RHS Percent of Debt}}{\text{RHS Percent of Debt}} \times \frac{\text{Market Value/Sales Proceeds less prior liens}}{\text{Market Value/Sales Proceeds}} = \frac{\text{RHS Share of Market Value/Sale Proceeds}}{\text{RHS Share of Market Value/Sale Proceeds}}$$

$$\text{Step 5. } \frac{\text{RHS Percent of Debt (from Step 4)}}{\text{RHS Percent of Debt (from Step 4)}} \times \frac{\text{Liquidation/Selling Expenses}}{\text{Liquidation/Selling Expenses}} = \frac{\text{RHS Share of Expenses}}{\text{RHS Share of Expenses}}$$

$$\text{Step 6. } \frac{\text{RHS Share of Market Value/Sale Proceeds (from Step 4)}}{\text{RHS Share of Market Value/Sale Proceeds (from Step 4)}} - \frac{\text{RHS Share of Expenses (from Step 5)}}{\text{RHS Share of Expenses (from Step 5)}} = \frac{\text{Net RHS Share of Market Value/Sale Proceeds}}{\text{Net RHS Share of Market Value/Sale Proceeds}}$$

1/ This is the unpaid debt that is equally secured with the other Agency's loan that were made at the same time or the security was taken at the same time to secure both type loans and described on the same mortgage or deed of trust.

2/ This is the total unpaid balance of the RHS and FCP loans that are equally secured. All other loans made before and after will not be counted in this calculation.

Note: Debt includes unpaid principal and interest and any recapture due, except RH recapture will not be included if acquired by RHS or FSA.

ADPS 3E Transaction

A

ADPS 3E
Transaction
Form

Complete the following for all acquisitions when the borrower has both an RHS and FSA loan. **Do not process an ADPS 3E transaction.** Complete 1 for each property acquired.

TO: Janet Marxkors, FAX Number 314-539-6447

FROM: _____
Name of Preparer, Agency, and Telephone Number

SUBJECT: Acquisition - Borrower with FSA and RHS Loans

- 1) ACQUIRING AGENCY NAME (FSA OR RHS) _____
- 2) CASE NUMBER _____ 3) NAME OF BORROWER _____
- 4) OK CODE (Leave Blank) 5) DATE ACQUIRED _____
- 6) MOST SECURED FCP LOAN _____ 7) MOST SECURED RHS LOAN _____
- 8) PROPERTY ID OF ACQUIRING AGENCY _____
- 9) PROPERTY DESCRIPTION CODE ____ 10) PROPERTY SUITABILITY CODE ____
- 11) TAXPAYER ID _____
- 12) PROPERTY ADDRESS (Leave blank if chattel property being acquired)

Street or route City/Town, State
- 13) ACRES ACQUIRED: CROPLAND ____ PASTURE ____ WOODLAND ____ OTHER ____
- 14) MARKET VALUE - ACQUISITION _____ 15) DATE LAST APPRAISAL _____
- 16) AMOUNT CREDITED-FSA _____ RHS _____ TOTAL _____
- 17) DATE SUBMITTED _____ 18) BUSINESS CODE ____ 19) HOW ACQUIRED ____
- 20) FORM CODE ____ 21) CARD CODE (Leave Blank)
- 22) LOANS TO ACQUIRE: (ENTER FUND CODE AND LOAN NUMBER, LEAVE BLANK IF ALL FSA AND RHS LOANS ARE TO BE ACQUIRED)
- FSA: _____ RHS: _____
- _____

Continued on the next page

ADPS 3E Transaction (Continued)**B****Instructions**

Complete ADPS 3E transaction form according to the following table

Item	Instructions
1-4	Self-explanatory.
5	Enter the date the deed was recorded.
6	Complete if FSA acquired the property or both Agencies will share in the market value credit, otherwise, leave blank.
7	Complete if RHS acquired the property or both Agencies will share in the market value credit, otherwise leave blank.
8	Enter the next available property ID of the acquiring Agency. The first 5 digits must be the first 5 digits of the borrower's case number. The last 5 digits must be in the following range: <ul style="list-style-type: none"> • FSA - 00001 - 00499 • RHS - 00500 - 00599.
9	Enter 1 of the following property description codes: <ul style="list-style-type: none"> • 01 - Single Family Residence • 02 - Lot Only (Nonfarm tract without Residence) • 03 - Farm (Includes Range or Pasture Land) • 04 - Chattel Property • 08 - Recreation Property • 10 - Nonfarm Property Securing Farm Program Loan • 11 - Other • 15 - Farm with Secretarial Easement • 17 - Indian Land Reservation • 19 - Indian Land Reservation with Secretarial Easement.
10	Enter 1 of the following property suitability codes: <ul style="list-style-type: none"> • 1 - SFH-program/FCP-suitable • 2 - SFH-nonprogram/FCP-surplus • 5 - Other.
11-12	Self-explanatory.
13	Enter the number of acres acquired to the nearest tenth by type if item 9 is 03, 15, 17, or 19.

Continued on the next page

ADPS 3E Transaction (Continued)

B

Instructions
(Continued)

Item	Instructions
14-15	Self-explanatory.
16	Enter dollars and cents. "TOTAL" must equal the FSA and RHS amount added together.
17	Enter the date the exhibit was prepared and FAXed to the St. Louis Finance Office.
18	Enter 1 of the following if item 9 is 03, 15, 17, or 19: <ul style="list-style-type: none"> • 0110 - Cash Grain • 0130 - Field Crops other than Cash Grain • 0160 - Vegetables • 0171 - Berries • 0172 - Grapes • 0174 - Citrus Fruits • 0175 - Deciduous Tree Fruits • 0181 - Floriculture and Nursery • 0182 - Food Crops Grown Under Cover (Greenhouse) • 0211 - Beef Cattle Feedlot • 0212 - Beef Cattle other than Feedlot (cow/calf, etc.) • 0213 - Hog Farm • 0214 - Sheep and Goats • 0219 - General Livestock • 0241 - Dairy Farm • 0251 - Chickens-Broilers • 0252 - Chickens-Layers • 0253 - Turkeys • 0270 - Special Enterprises (Veal, Rabbits, Mink, etc.).
19	Enter 1 of the following codes: <ul style="list-style-type: none"> • 1 - Foreclosure • 2 - Voluntary Conveyance • 3 - Third party Foreclosure (Other than FSA or RHS).

Continued on the next page

ADPS 3E Transaction (Continued)

B
Instructions
(Continued)

Item	Instructions
20	<p>Enter 1 of the following codes:</p> <ul style="list-style-type: none">· 1 - Released from Liability (Involved in Bankruptcy)· 2 - Released from Liability (Not Involved in Bankruptcy)· 3 - Not Released from Liability. <p>Note: This applies only to the Agency that acquired the property. Any remaining debt of the other Agency will not be written off with this transaction. It is the responsibility of each Agency to settle its own accounts after confirming that the acquisition was processed.</p>
21	Leave blank.
22	List the loan or recoverable cost items, if a separate loan number from the parent loan, to be credited in the order of lien priority. The first loan for each Agency entered must be the loan indicated as the most secured loan.